

**SKAGIT COUNCIL OF GOVERNMENTS**  
**Skagit County, Washington**  
**January 1, 1990 Through December 31, 1991**

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**Schedule Of Findings**

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1. Payroll Charges Should Comply With Local, State, And Federal Regulations

Our testing of payroll expenses identified \$12,953 in payroll and benefit payments made to and on behalf of the former executive director, Bob Ruby, of the Skagit Council of Governments (SCOG) in 1991 and 1992, which violates local and state law and federal grant regulations. In addition, associated reimbursement requests to the Washington State Department of Community Development (DCD) in conjunction with the 1991 Federal Emergency Management Agency (FEMA) grant are inadequately supported for federal reimbursement.

The former executive director of the Skagit Council of Governments received payroll payments in excess of his normal payroll for the purpose of providing technical assistance on a FEMA hazard mitigation grant. These payroll payments were made by the Skagit County Auditor's Office on behalf of the Skagit Council of Governments to Mr. Ruby based on a memorandum prepared by Mr. Ruby, Skagit Council of Governments Resolution 91-05, and the FEMA Hazard Mitigation grant agreements. Payment of these funds to Mr. Ruby was contrary to the authority of Skagit Council of Government's Resolutions 91-05 and 91-02 and did not have adequate support to document that the payment was for work actually performed in excess of normal duties. Further, the council's bylaws require that the council approve expenditures. Resolution 91-05 authorizes payment for staff compensation for additional time required to perform technical planning activities but does not specifically name Mr. Ruby and the payment limit based on the calculation in Resolution 91-05 in the amount of \$7,500.

Reimbursement requests to DCD for Mr. Ruby's payroll costs represented \$15,085 for the time period March 1, 1991, through September 30, 1991. Actual payments to and on behalf of Mr. Ruby for the same time period was \$6,915.56 per Skagit County records of additional pay. Additional pay of \$6,037.67 to and on behalf of Mr. Ruby was paid by the Skagit Council of Governments for the period of October 1991 through February 1992 for work on the Hazard Mitigation grant. The reimbursement requests state that the request for reimbursement amount is calculated based on \$35 per hour for hours worked March 1, 1991, through September 30, 1991. No time records are available to support the reported hours and the rate of \$35 is not supported by council Resolution 91-02 plus allowable benefit costs of 25 percent per the grant agreement.

The U.S. Office of Management and Budget (OMB) Circular A-87 states:

Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

Skagit Council of Governments Resolution 91-02 states, in part:

Now, therefore, be it further resolved that the SCOG staff be charged to the project at the rate of \$25 per hour for the director . . . (an additional 80 percent of direct staff hourly rate be charged to account for agency overhead).

Skagit Council of Governments Resolution 91-05 states, in part:

Now, therefore, be it resolved that the contract proceeds be allocated in the amount of 25 percent for SCOG administrative coordination and the remaining 75 percent for technical planning.

Now, therefore, be it further resolved that the technical planning funding be allocated in the amount of one-half for . . . and one-half for staff compensation for additional time required to perform technical planning activities, and authorizes the SCOG directors to execute contracts to perform this work.

A letter prepared and signed by Mr. Ruby, but not signed by any of the SCOG board members, to the Skagit County Auditor's office states, in part:

. . . and \$15,000 to pay Bob Ruby as consultant on the payroll through a payroll addition . . .

. . . Please begin the payroll addition beginning March 1, 1991 for \$1,000 per month . . .

Other than the resolutions noted and the grant agreement, no other documentation was located to support this payment.

RCW 43.09.200 states, in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

The most significant reason that inappropriate payments to the executive director were not detected and corrected appears to be the result of lack of segregation of duties due to the council office being basically a one-person operation. This situation was compounded by insufficient oversight of expenditures and reimbursements by the board members.

In the absence of both adequate documented authorization of the council for payment to Mr. Ruby and adequate time records to support the payroll charges to the FEMA Hazard Mitigation program, all charges to the FEMA Hazard Mitigation grant on the behalf of Mr. Ruby are questioned.

The lack of time records to support extra hours worked and the lack of adequate control/oversight of expenditures by the board could result in material errors or irregularities which would not be detected in a timely manner.

We recommend that the council work with the Washington Department of Community Development to resolve the questioned costs of \$15,085 described above.

We further recommend that the council work with the Washington State Attorney General's Office to determine if any funds should be recovered from the former executive director.

We also recommend that the board members of the Skagit Council of Governments provide additional oversight control over operations and require time records to be maintained.